Stewart

FINANCIAL AND OTHER IMPLICATIONS OF VARIOUS PERSONNEL ISSUES

Volleyball
Flexible Scheduling ✓
Hourly Wage
Paid Lunch Hour
Health Insurance ✓
→ Paid Vacation 5%
→ Paid Holidays 2½%
→ Paid Sick Days 2½% } $40 [illegible] 8%
→ Overtime 1.5 over 40 hrs + ?
Salary vs. Wage ✓
→ Social Security ✓ — 6.7%
→ [illegible] contractors

for full time employees

Presently Point Foundation employees have some benefits uncommon or unknown in other business situations: paid volleyball time, extraordinarily flexible scheduling, a very cordial and supportive atmosphere, high hourly wage for most positions, and a paid lunch hour.

Simultaneously, some benefits which are standard in many similar situations are not present: health insurance, paid vacation days, paid holidays, paid sick days, and overtime pay.

In light of the recent hiring of six new persons on salary and the salary increase of two others, the issue of wage versus salary also needs to be addressed.

And finally, since Social Security tax will have to be withheld from employees' paychecks even in nonprofit organizations beginning January 1, it is important to recognize the financial implications of this.

The following explores the emotional and financial implications of these topics:

I. BENEFITS ALREADY PRESENT

A. Volleyball

Advantages: cameraderie leads to friendly, productive work atmosphere; physical exercise for health

Cost: If 15 persons play for 1 hour an average of 4 days/week @$10 per hour, this is $30,000 per year in labor expense.

B. Flexible Scheduling

Advantages: sense of trust; personal flexibility

Cost: none

C. Supportive Work Atmosphere

Advantages: obvious

Cost: minimal

D. High Hourly Wage

Advantages: selectivity in hiring; employee morale; reasonable for management to have high expectations

Cost: difficult to compare since industry standard wages vary from job to job and person to person

E. Paid Lunch Hour

Advantages: supportive; flexible

Cost: If 30 employees take ½ hour for lunch @$10/hour, this costs Point Foundation $37,500 per year in labor expense.

II. "STANDARD" BENEFITS NOT PRESENT

A. Health Insurance

Advantages: helps employees

Cost: will vary from around $70 to $90 per employee per month depending on coverage (possibly as high as $110). If $80 per employee per month, this will cost Point Foundation nearly $30,000 per year. (Detailed memo soon.)

B. Paid Vacation Days

Advantages: employee morale

Cost: If two weeks (10 working days) per employee per year is paid for, this amounts to $800 per employee per year or $24,000 per year total.

C. Paid Holidays

Advantages: employee satisfaction

Cost: If January 1, Memorial Day, July 4, Labor Day, Thanksgiving, and Christmas are paid holidays, this is $480 per employee per year, or nearly $15,000 total.

D. Paid Sick Days

Advantages: employees not penniless when sick

Cost: If maximum number of 6 days per year offered (and paid at end of year as a bonus if not used), this is also $480 per employee per year, or nearly $15,000 total.

E. Overtime Pay

One plan might be to require prior approval from management for any overtime work which is to be compensated at time and ½. Overtime could be over 40 hours in a week, or over 80 hours in a pay period.

Advantages: gives management an incentive to schedule production, etc. thoughtfully; compensates employees for involuntary long hours.

Cost: If an average employee works 2 overtime hours/month, this is approximately $120/employee/year in additional income, or $3500/year for Point.

III. WAGE VERSUS SALARY

I have interviewed nearly everyone at CQ on wage about how they feel about the issue of wage versus salary in light of the recent hiring of six persons on salary and the salary increase of Art and Stewart, and perhaps surprisingly no one felt insistent about being on salary, although a few people are willing to seriously consider it. But everyone I spoke with would like Point Foundation to consider compensating them for sick days, vacation days, and holidays, and many people would also like overtime to be compensated.

Many persons prefer the flexibility and independence of being on wage. They like being able to take time off when they need to, and fear they would be less comfortable doing so if they were on salary. Even some people whose workloads vary from month to month feel it would be harder to work more when there is more work and to work less when there is less work if they were on salary rather than wage.

The issue of overtime is especially touchy now in light of the present production atmosphere. Some recognition for extraordinary service would certainly be appreciated.

The list of who is presently on wage full-time, 3/4-time, and ½-time, and who is on salary appears on the next page.

IV. SOCIAL SECURITY

Beginning January 1, 1984, non-profit organizations will have to begin withholding social security tax from salaries and wages. The total amount is 13.4%, half of which is to be withheld and half contributed directly to the government by the employer. At the present level of payroll (approx. $620,000), 13.4% is $83,000, and half of this is $41,500. This assumes that everyone is actually on payroll, since strictly speaking independent contractors will pay their own social security tax.

In order to give raises to compensate for the $41,500 which might be withheld from salaries and wages, it will be necessary to increase salaries and wages even more than this amount to allow for increased taxes on increased income.

So the worst case is if everyone decides to give up being an independent contractor and salaries and wages are increased to allow people to take home the same amount of money. This might cost around $90,000. (And the increased salaries and wages would also increase the estimated costs of all the previously estimated benefits except health insurance.)

V. CONCLUSION

Regardless of which benefits Point Foundation feels ready to offer employees at this time and which ones not to offer, people have expressed some interest in being informed of the decision in some clear way, perhaps a meeting or a memo or someone (Arnie? Andrea? Stewart?) going around to tell each person. This is obviously an issue of great importance to everyone and some formal recognition of this, whatever the outcome or specific benefits, seems wise.

8 Persons on Salary

Stewart Brand	$36,000
Art Kleiner	32,000
Richard Dalton	30,000
Barbara Robtson	30,000
Lisl Folsom	28,000
Matthew McClure	26,000
Sheila Gadsden	26,000
Lyn Gray	20,000
Total	$228,000

Summary of Persons on Wage*

13 + 6 + 1½ = 20½ persons

If each person = $19,000/year = $390,000 total

Total, Summary

$228,000 + $390,000 = $618,000 payroll/year

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*Persons on Wage

Full Time (40 hrs/week)

Andrea Sharp
Cindy Craig
David Burnor
James Donnelly
Susan Erkel
Jonathan Eveleigh
Deborah Hamilton
Denise Partita
Don Ryan
Jim Stockford
Kathleen O'Neil
Becky Wilson
Cliff Figallo

13 persons total

3/4 Time (30 hrs/week)

Ben Campbell
Dick Fugett
Debbie Hopkins
Jay Kinney
Kathy Parks
Hank Roberts
Irmine Steltzner
Richard Nilson

8 persons total = equivalent of 6 full-time persons

1/2 Time (20 hrs/week)

J. Baldwin
Arnie Kotler
Ralph Ragucci

3 persons total = equivalent of 1½ full-time persons

On Leave

Joe Kane — 0

VI. OTHER FINANCIAL ISSUES

A. Additional Ways to Increase Revenue

1. Change cover price of Whole Earth Software Review to $4.95

I realize this is controversial--that many people feel it is misleading to say $4.95 rather than $5. I personally prefer to purchase something for $4.95; it makes me feel as if I got more of a bargain and therefore feel more satisfied. Since the WESR will be sold in some bookstores as a book rather than just as a magazine, and since it is small for a book, I think it will sell better at $4.95.

2. Classifieds or Unclassifieds in the WESR

Another possible source of revenue. Could charge more than for CQ Unclassifieds.

3. Syndicate or otherwise expand Chronicle Whole Earth Catalog

I haven't had time to begin this project yet, but it is obviously one which could produce revenue.

4. Study pricing, efficiency, procedures, etc. for Other Products sales

This is not to criticize anything currently being done. But a thorough study of this area might produce ideas and revenue. I would like to help with this, but if someone else has an opportunity to do so before I get to it that would be fine.

5. Promote additional subscriptions

This is obvious and I don't have any new ideas at present. But since the CQ and WESR subscriptions are the main source of revenue besides the Software Catalog, Lisl and others can be encouraged to continue thinking about increasing subscriptions (as of course is already occurring--just a confirming note to emphasize importance of this).

B. Additional Personnel Matters Worth Mentioning

1. Production Scheduling

Still needs some attention. Both CQ/WESR/WESC timing, and also the matter of overtime burnout to meet deadlines. I've heard someone recommend that Sheila or someone be overall head and advocate* of production crew to be sure their needs are recognized in scheduling.

*Advocate = liason with editorial & management

2. Research Department

In my superficial passing through the various areas of Point Foundation, the Software Research Department seems to be an area whose mandate is not yet completely clear. Whether Barbara is used as a technical editor or other areas in which she seems extraordinarily qualified or whether she is director of a small clerical staff or whatever combination of these and other responsibilities as of a week or so ago looked to me to be a problem area due to lack of clear definition. My opinion only; I have no idea if there is truth in this observation.

Annie Kotler

12-14-83